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FISCAL IMPACT STATEMENT

LS 6263 **NOTE PREPARED:** Dec 13, 2007
BILL NUMBER: SB 173 **BILL AMENDED:**

SUBJECT: Investment Deduction.

FIRST AUTHOR: Sen. Boots **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill extends the availability of the property tax investment deduction for real property to qualifying improvements of real property that are first assessed after March 1, 2007, and before March 2, 2009. It extends the availability of the property tax investment deduction for personal property to qualifying personal property that is purchased after March 1, 2007, and before March 2, 2009.

Effective Date: Upon passage; July 1, 2007 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax. If there is an increase in investment because of this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: Originally, abatements for investment deductions for real and personal property could be applied to qualified property first assessed in 2006 through 2009 for taxes payable in 2007 through 2010. In 2007, the law was amended to end the deduction for taxes payable in 2009 and after. This bill restores the original law by extending the deduction to property first assessed in 2008 and 2009 for taxes payable in 2009 and 2010.

The specific amount of AV involved in foregone deductions by increasing the eligibility period by two years is indeterminable. However, if there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. This addition to the tax base could help spread the property tax burden and could possibly reduce some tax rates. Until then, an increase in the value of abatements would reduce total AV, causing a shift of part of the property tax burden from abated taxpayers to all taxpayers via an increased tax rate.

On the other hand, if one assumes that the investment would be made with or without the abatement, an increase in abatements could also cause a delay in the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision. The impact would depend on the number and value of new abatements that might be granted because of this proposal.

State Agencies Affected: Department of Local Government Finance, State Fair Board, Department of Natural Resources.

Local Agencies Affected: County Auditors.

Information Sources:

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